

CITY OF MITCHELLVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2020

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CITY OF MITCHELLVILLE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Brand.	Mayor.	Dec 2020
Dean McGhee.	Council Member.	Dec 2019
Steve Zook.	Council Member.	Dec 2021
Treasa Mitchell-Arterburn.	Council Member.	Dec 2019
Labrent Lawler.	Council Member.	Dec 2023
Bill Roberts.	Council Member.	Dec 2021
Nedra Hoover.	Council Member (started 1-1-20).	Dec 2023
Nicholas Murrow.	Council Member (started 1-1-20).	Dec 2023
Tammi Dillavou.	City Administrator.	Indefinite
Rahni Brose.	City Clerk.	Indefinite
Bill Mallory.	City Attorney.	Indefinite
Wayne Patterson.	Director Public Works.	Indefinite
Mike Twohey.	Fire Chief.	Indefinite
Derrick Spoerry.	Police Chief.	Indefinite

City of Mitchellville



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mitchellville's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 42 through 47 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2020 on our consideration of the City of Mitchellville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Mitchellville's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
December 18, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mitchellville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by approximately \$955,000 from fiscal year 2019 to fiscal year 2020 primarily due to decreased loan proceeds.
- Disbursements of the City's governmental activities decreased approximately \$521,000, from fiscal year 2019 to fiscal year 2020 primarily due to decreased capital project costs and decreased public safety costs.
- The City's total cash basis net position decreased by 3% for fiscal year 2020 to a total of \$2,198,140. Of this amount, the cash basis net position of the governmental activities was \$1,997,033 and the cash basis net position of the business type activities was \$201,107.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, and the Local Option Sales Tax Fund 3) the Capital Projects Fund 4) the Debt Service Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 3) Fiduciary funds are used to account for resources held by the City in a trustee capacity as an agent for individuals, private organizations and/or other funds. The fiduciary fund consists of the Thomas Mitchell Historical Society.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for services	\$ 243,763	\$ 146,690
Operating grants, contributions and restricted interest	540,469	679,674
Capital grants, contributions and restricted interest	477,793	57,788
General receipts:		
Property and other city tax		
General purpose	546,792	675,148
Debt service	628	90,607
Tax incremental financing	79,256	88,293
Local option sales tax	570,558	914,044
Unrestricted interest on investments	5,428	5,741
Loan proceeds	-	800,000
Other general receipts	64,282	23,097
Total receipts	<u>2,528,969</u>	<u>3,484,082</u>
Disbursements:		
Public safety	535,160	996,864
Public works	851,640	544,684
Health and social services	1,150	1,150
Culture and recreation	271,354	320,023
Community and economic development	80,686	89,945
General government	123,871	124,970
Debt service	184,075	276,195
Capital projects	617,697	832,866
Total disbursements	<u>2,665,633</u>	<u>3,186,697</u>
Change in cash basis net position before transfers	(136,664)	297,385
Transfers, net	<u>171,153</u>	<u>166,580</u>
Change in cash basis net position	34,489	463,965
Cash basis net position beginning of year	<u>1,962,544</u>	<u>1,498,579</u>
Cash basis net position end of year	<u><u>\$1,997,033</u></u>	<u><u>\$1,962,544</u></u>

The City's total receipts for governmental activities decreased 27.4%, or approximately \$955,000 from fiscal year 2019. The total cost of all programs and services decreased approximately \$521,000 or 16.4%. Receipts decreased primarily due to decreased loan receipts. Disbursements decreased primarily due to decreased capital project and public safety costs.

The cost of all governmental activities this year was approximately \$2.666 million compared to approximately \$3.187 million last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$1,404,000 because some of the cost was paid by those directly benefited from the programs (approximately \$244,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,018,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, tax increment financing and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2020 from approximately \$887,000 to

approximately \$1,262,000, principally due to increased grant proceeds.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 706,341	\$ 653,569
Sewer	469,688	471,968
Operating grants, contributions and restricted interest	376,911	-
Unrestricted interest on investments	8,719	13,161
Loan proceeds	979,668	-
Miscellaneous	23,761	25,145
Total receipts	<u>2,565,088</u>	<u>1,163,843</u>
Disbursements:		
Water	1,396,998	602,203
Sewer	1,105,007	461,949
Total disbursements	<u>2,502,005</u>	<u>1,064,152</u>
Change in cash basis net position before transfers	63,083	99,691
Transfers, net	<u>(171,153)</u>	<u>(166,580)</u>
Change in cash basis net position	(108,070)	(66,889)
Cash basis net position beginning of year	<u>309,177</u>	<u>376,066</u>
Cash basis net position end of year	<u>\$ 201,107</u>	<u>\$ 309,177</u>

Total business type activities receipts for the fiscal year were approximately \$2,565,000 compared to approximately \$1,164,000 last year. This increase was due primarily to increased loan proceeds. The cash balance decreased approximately \$108,000 from the prior year because of the increased capital project disbursements. Total disbursements for the fiscal year increased 135.1% to approximately \$2,502,000 because of capital projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Mitchellville completed the year, its governmental funds reported a combined fund balance of \$1,997,033 an increase of \$34,489 above last year's total of \$1,962,544. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$15,992. The increase was due to decreased transfers for equipment replacements.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$196,121 from \$196,121 to an end of year balance of \$0. This was due to increased street maintenance costs. The Road Use Tax Fund money is used to help maintain or upgrade the condition of all City roads.
- The Special Revenue, Employee Benefits Fund is a Special Revenue Fund that accounts for revenues received and expenditures paid in support of employee benefits. The types of revenues received are property taxes assessed for the employer contributions for health insurance, FICA, IPERS, and unemployment benefits. The fund showed a net decrease of \$71,139 with an ending cash balance of \$130,598.

- The Special Revenue, Local Option Sales Tax Fund increased by \$115,493 to \$1,029,537. The fund will be used partially to help with future debt relief.
- The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and long-term debt. The City transferred \$170,556 from other funds to make payments for these obligations. The ending cash balance decreased \$12,891.
- The Capital Projects Funds had an increase of \$43,465 for an ending deficit cash balance of \$(18,058) due to disbursements on various projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$11,359 from regular operations.
- The Enterprise, Sewer Fund cash balance decreased by \$119,429 due to increased capital project and operating disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 26, 2020 and resulted in an increase in operating disbursements related to additional disbursements in certain city departments.

The City's receipts were approximately \$1,233,000 less than budgeted. This was primarily due to the City receiving less intergovernmental receipts even after the amendments.

Even with the budget amendments, total disbursements were \$3,344,000 less than the amended budget. Actual disbursements for the business type functions were \$2,426,000, less than the amended budget. The City exceeded the amounts budgeted in the debt service function for the year ended June 30, 2020.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$3,373,005 in bonds and other long-term debt outstanding, compared to \$2,797,656 last year, as shown below.

Outstanding Debt at Year-End		
	June 30	
	2020	2019
General Obligation Capital Loan Bonds & Notes	\$1,360,473	\$1,074,000
Revenue Bonds and Loan Notes	1,882,195	1,575,000
Urban Service Area Agreement	130,337	148,656
Total	<u>\$3,373,005</u>	<u>\$2,797,656</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,360,473 is below its constitutional debt limit of \$4,421,342. The additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Mitchellville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates, and fees charged for various City activities.

Property tax valuations are expected to rise slightly. The City's total property tax levy rate for fiscal year 2021 is 9.53884 down from 9.45474 from fiscal year 2020. The amount needed for the employee benefit levy is expected to decrease. Budgeted disbursements are expected to decrease approximately \$3,908,000. Decreased public works and capital projects represent the largest decreases.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tammi Dillavou, City Administrator, 204 Center Avenue N, PO Box 817, Mitchellville, Iowa 50169.

Basic Financial Statements

CITY OF MITCHELLVILLE

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

		Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs:	<u>Disbursements</u>			
Governmental activities:				
Public safety	\$ 535,160	\$ 85,893	\$ 159,172	\$ -
Public works	851,640	94,433	289,725	-
Health and social services	1,150	-	-	-
Culture and recreation	271,354	5,208	88,582	-
Community and economic development	80,686	55,537	45	-
General government	123,871	2,692	2,945	-
Debt service	184,075	-	-	-
Capital projects	617,697	-	-	477,793
Total governmental activities	<u>2,665,633</u>	<u>243,763</u>	<u>540,469</u>	<u>477,793</u>
Business type activities:				
Water	1,396,998	706,341	376,911	-
Sewer	1,105,007	469,688	-	-
Total business type activities	<u>2,502,005</u>	<u>1,176,029</u>	<u>376,911</u>	<u>-</u>
Total	<u>\$ 5,167,638</u>	<u>\$1,419,792</u>	<u>\$ 917,380</u>	<u>\$ 477,793</u>

General Receipts and Transfers:

Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
Local Option Sales Tax
Unrestricted interest on investments
Bond proceeds
Miscellaneous
Sale of capital assets
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year, as restated

Cash basis net position end of year

Cash Basis Net Position

Restricted:
 Nonexpendable:
 Cemetery perpetual care
 Expendable:
 Streets
 Debt service
 Customer deposits
 Other purposes
Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (290,095)	\$ -	\$ (290,095)
(467,482)	-	(467,482)
(1,150)	-	(1,150)
(177,564)	-	(177,564)
(25,104)	-	(25,104)
(118,234)	-	(118,234)
(184,075)	-	(184,075)
(139,904)	-	(139,904)
(1,403,608)	-	(1,403,608)
-	(313,746)	(313,746)
-	(635,319)	(635,319)
-	(949,065)	(949,065)
(1,403,608)	(949,065)	(2,352,673)
546,792	-	546,792
628	-	628
79,256	-	79,256
570,558	-	570,558
5,428	8,719	14,147
-	979,668	979,668
8,758	23,761	32,519
55,524	-	55,524
171,153	(171,153)	-
1,438,097	840,995	2,279,092
34,489	(108,070)	(73,581)
1,962,544	309,177	2,271,721
\$1,997,033	\$ 201,107	\$ 2,198,140
\$ 44,571	\$ -	\$ 44,571
-	32,904	32,904
-	41,526	41,526
1,445,072	-	1,445,072
507,390	126,677	634,067
\$1,997,033	\$ 201,107	\$ 2,198,140

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue		
	General	Road Use Tax	Employee Benefit Tax
Receipts:			
Property tax	\$ 433,387	\$ -	\$ 55,872
Tax increment financing	-	-	-
Other city tax	57,533	-	-
Licenses and permits	58,592	-	-
Uses of money and property	5,428	-	-
Intergovernmental	145,839	289,725	-
Charges for service	184,434	-	-
Miscellaneous	112,200	-	-
Total receipts	<u>997,413</u>	<u>289,725</u>	<u>55,872</u>
Disbursements:			
Operating:			
Public safety	438,972	-	80,844
Public works	75,391	758,140	18,108
Health and social services	1,150	-	-
Culture and recreation	246,630	-	24,724
Community and economic development	22,044	-	-
General government	120,535	-	3,335
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>904,722</u>	<u>758,140</u>	<u>127,011</u>
Excess (deficiency) of receipts over (under) disbursements	<u>92,691</u>	<u>(468,415)</u>	<u>(71,139)</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers in	-	272,294	-
Transfers out	(76,699)	-	-
Total other financing sources (uses)	<u>(76,699)</u>	<u>272,294</u>	<u>-</u>
Change in cash balances	15,992	(196,121)	(71,139)
Cash balances beginning of year, as restated	<u>388,873</u>	<u>196,121</u>	<u>201,737</u>
Cash balances end of year	<u>\$ 404,865</u>	<u>\$ -</u>	<u>\$ 130,598</u>
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Other purposes	-	-	130,598
Assigned	-	-	-
Unassigned	<u>404,865</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 404,865</u>	<u>\$ -</u>	<u>\$ 130,598</u>

See notes to financial statements.

Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	Total
\$ -	\$ 628	\$ -	\$ -	\$ 489,887
-	-	-	79,256	79,256
570,559	-	-	-	628,092
-	-	-	-	58,592
-	-	-	1,087	6,515
-	-	477,793	-	913,357
-	-	-	-	184,434
-	-	-	1,111	113,311
570,559	628	477,793	81,454	2,473,444
-	-	-	15,344	535,160
-	-	-	-	851,639
-	-	-	-	1,150
-	-	-	-	271,354
-	-	-	58,643	80,687
-	-	-	-	123,870
-	184,075	-	-	184,075
-	-	617,698	-	617,698
-	184,075	617,698	73,987	2,665,633
570,559	(183,447)	(139,905)	7,467	(192,189)
-	-	-	55,524	55,524
-	170,556	183,370	98,384	724,604
(455,066)	-	-	(21,686)	(553,450)
(455,066)	170,556	183,370	132,222	226,678
115,493	(12,891)	43,465	139,689	34,489
914,044	12,891	(61,523)	310,401	1,962,544
\$1,029,537	\$ -	\$ (18,058)	\$ 450,090	\$1,997,033
\$ -	\$ -	\$ -	\$ 44,571	\$ 44,571
1,029,537	-	-	284,936	1,445,071
-	-	-	120,583	120,583
-	-	(18,058)	-	386,808
\$1,029,537	\$ -	\$ (18,058)	\$ 450,090	\$1,997,033

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 706,341	\$ 469,688	\$1,176,029
Total operating receipts	706,341	469,688	1,176,029
Operating disbursements:			
Business type activities:	408,850	382,187	791,037
Total operating disbursements	408,850	382,187	791,037
Excess of operating receipts over operating disbursements	297,491	87,501	384,992
Non-operating receipts (disbursements):			
Intergovernmental	376,911	-	376,911
Miscellaneous	23,639	124	23,763
Interest on investments	2,148	6,571	8,719
Bond Proceeds	470,473	509,195	979,668
Capital projects and equipment	(814,508)	(629,064)	(1,443,572)
Debt service	(173,641)	(93,756)	(267,397)
Net non-operating receipts (disbursements)	(114,978)	(206,930)	(321,908)
Excess (deficiency) of receipts over (under) disbursements	182,513	(119,429)	(63,084)
Other financing sources (uses)			
Transfers out	(171,154)	-	(171,154)
Total other financing sources (uses)	(171,154)	-	(171,154)
Change in cash balances	11,359	(119,429)	(108,070)
Cash balances beginning of year, as restated	151,971	157,206	309,177
Cash balances end of year	\$ 163,330	\$ 37,777	\$ 201,107
Cash Basis Fund Balances			
Restricted for debt service	\$ 11,723	\$ 21,181	\$ 32,904
Restricted for customer deposits	41,526	-	41,526
Unrestricted	110,081	16,596	126,677
Total cash basis fund balances	\$ 163,330	\$ 37,777	\$ 201,107

See notes to financial statements.

CITY OF MITCHELLVILLEStatement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Fund

As of and for the year ended June 30, 2020

	Thomas Mitchell Historical Society
Receipts:	
Miscellaneous	<u>\$ 80</u>
Total receipts	<u>80</u>
 Disbursements	 <u>338</u>
Change in cash balances	(258)
Cash balance beginning of year	<u>8,660</u>
Cash balance end of year	<u><u>\$8,402</u></u>

See notes to financial statements.

CITY OF MITCHELLVILLE

Notes to Financial Statements

June 30, 2020

(1) **Summary of Significant Accounting Policies**

The City of Mitchellville, Iowa is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, City of Colfax Mutual Fire and Police Assistance Agreement, Mud Creek, Spring Creek & Camp Creek Watershed Authority, and Des Moines Regional Transit Authority.

As of July, 2010, in conjunction with 23 other governmental agencies, the City became a member, under a 28E agreement, of the Central Regional Iowa Drinking Water Commission, which shall provide planning activities for water supply, treatment, distribution and storage facilities when the activities impact two or more members. The Commission board consists of a representative of each of the participating members.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position.

Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's permanent fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and the fiduciary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for the tax levy and the disbursement for the benefits.

The Local Option Sales Tax Fund is used to account for the revenues from the state and local option sales tax and expenditure of those funds for the specific purpose as set forth in the referendum.

The Debt Service Fund is utilized to account for the property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund, is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through enterprise funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional fund:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary fund consists of:

Agency Funds: Are custodial in nature and do not involve measurement or results of operations. The City has the following agency fund:

Thomas Mitchell Historical Society.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the city council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the Debt Service Functions.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$755,172. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Government activities					
Water treatment plant g.o. bond	\$ 381,000	\$ -	\$ 49,000	\$ 332,000	\$ 51,000
Capital loan note	693,000	-	107,000	586,000	110,000
Water improvement g.o. bonds	-	470,473	28,000	442,473	23,000
Governmental activities total	<u>\$ 1,074,000</u>	<u>\$ 470,473</u>	<u>\$ 184,000</u>	<u>\$ 1,360,473</u>	<u>\$ 184,000</u>
Business type activities					
Sewer revenue notes	\$ 436,000	\$ -	\$ 67,000	\$ 369,000	\$ 69,000
Water revenue bonds	934,000	-	122,000	812,000	126,000
Sewer revenue bonds	205,000	-	12,000	193,000	12,000
Sewer revenue bonds	-	509,195	1,000	508,195	48,000
Business type activities total	<u>\$ 1,575,000</u>	<u>\$ 509,195</u>	<u>\$ 202,000</u>	<u>\$ 1,882,195</u>	<u>\$ 255,000</u>

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

General Obligation Notes and Bonds

A summary of the City's June 30, 2020 general obligation notes and bonds payable is as follows

Year Ending June 30,	Water Treatment Plant Bonds Issued June 1, 2006		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 51,000	\$ 5,810
2022	1.75%	53,000	4,918
2023	1.75%	54,000	3,990
2024	1.75%	56,000	3,045
2025	1.75%	58,000	2,065
2026-2030	1.75%	60,000	1,050
2031-2035		-	-
2036-2039		-	-
Total		<u>\$ 332,000</u>	<u>\$ 20,878</u>

Year Ending June 30,	Capital Loan Notes Issued July 18, 2018		
	Interest Rate	Principal	Interest
2021	2.95%	\$ 110,000	\$ 17,287
2022	2.95%	114,000	14,042
2023	2.95%	117,000	10,679
2024	2.95%	121,000	7,228
2025	2.95%	124,000	3,658
2026-2030		-	-
2031-2035		-	-
2036-2039		-	-
Total		<u>\$ 586,000</u>	<u>\$ 52,894</u>

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Year Ending June 30,	Water Improvement Bonds Issued September 20, 2019		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 23,000	\$ 9,345
2022	1.75%	24,000	8,943
2023	1.75%	24,000	8,522
2024	1.75%	25,000	8,103
2025	1.75%	25,000	7,665
2026-2030	1.75%	134,000	31,535
2031-2035	1.75%	149,000	19,285
2036-2039	1.75%	<u>130,000</u>	<u>5,722</u>
Total		534,000	<u>\$ 99,120</u>
Less funds not drawn down as of June 30, 2020		<u>(91,527)</u>	
		<u>\$ 442,473</u>	

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 184,000	\$ 32,442	\$ 216,442
2022	191,000	27,903	218,903
2023	195,000	23,191	218,191
2024	202,000	18,376	220,376
2025	207,000	13,388	220,388
2026-2030	194,000	32,585	226,585
2031-2035	149,000	19,285	168,285
2036-2039	<u>130,000</u>	<u>5,722</u>	<u>135,722</u>
Total	1,452,000	<u>\$ 172,892</u>	<u>\$1,624,892</u>
Less fund not drawn down as of June 30, 2020		<u>(91,527)</u>	
		<u>\$ 1,360,473</u>	

On June 1, 2006, the City issued \$1,050,000 of general obligation capital loan notes with interest at 1.75% per annum. The notes were issued for the acquisition, construction, reconstructing extending, remodeling, improving repairing and equipping all of the Municipal Water System. During the year ended June 30, 2020, the City paid \$49,000 of principal and \$6,668 of interest on the notes.

On July 10, 2018, the City issued \$800,000 of general obligation capital loan notes with interest at 2.95% per annum. The notes were issued pay costs of constructing street and water system improvements. During the year ended June 30, 2020, the City paid \$107,000 of principal and \$20,044 of interest on the Notes.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

On September 20, 2019, the City issued \$562,000 of general obligation water improvement bonds with interest rates of 1.75% per annum. The notes were issued to pay a portion of the cost of planning, designing and constructing improvements and extensions to the Municipal Water Works System of the City. During the year ended June 30, 2020, the City had drawn down \$470,473 of bond proceeds and paid \$28,000 of principal and \$4,405 of interest on the bonds.

Revenue Bonds

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Sewer Revenue Capital Loan Notes Issued May 1, 2004		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 69,000	\$ 6,458
2022	1.75%	72,000	5,250
2023	1.75%	74,000	3,990
2024	1.75%	76,000	2,340
2025	1.75%	78,000	1,365
2026-2030	1.75%	-	-
2031-2035		-	-
2036-2039		-	-
Total		<u>\$ 369,000</u>	<u>\$ 19,403</u>

Year Ending June 30,	Water Revenue Bonds Issued September 1, 2005		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 126,000	\$ 14,210
2022	1.75%	129,000	12,005
2023	1.75%	133,000	9,748
2024	1.75%	137,000	7,420
2025	1.75%	141,000	5,022
2026-2030	1.75%	146,000	2,555
2031-2035		-	-
2036-2039		-	-
Total		<u>\$ 812,000</u>	<u>\$ 50,960</u>

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Year Ending June 30,	Sewer Revenue Bonds Issued February 27, 2015		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 12,000	\$ 3,378
2022	1.75%	12,000	3,167
2023	1.75%	13,000	2,958
2024	1.75%	13,000	2,730
2025	1.75%	13,000	2,502
2026-2030	1.75%	69,000	8,995
2031-2035		61,000	2,695
2036-2039		-	-
Total		\$ <u>193,000</u>	\$ <u>26,425</u>

Year Ending June 30,	Sewer Revenue Bonds Issued April 3, 2020		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 48,000	\$ 19,973
2022	1.75%	49,000	18,393
2023	1.75%	50,000	17,535
2024	1.75%	51,000	16,660
2025	1.75%	52,000	15,767
2026-2030	1.75%	276,000	64,838
2031-2035		306,000	39,637
2036-2039		<u>267,000</u>	<u>11,795</u>
Total		\$ 1,099,000	\$ <u>204,598</u>
Less fund not drawn down as of June 30, 2020		<u>(590,805)</u>	
		\$ <u>508,195</u>	

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 255,000	\$ 44,019	\$ 299,019
2022	262,000	38,815	300,815
2023	270,000	34,231	304,231
2024	277,000	29,150	306,150
2025	284,000	24,656	308,656
2026-2030	491,000	76,388	567,388
2031-2035	367,000	42,332	409,332
2036-2039	267,000	11,795	278,795
Total	2,473,000	\$ 301,386	\$2,774,386
Less fund not drawn down as of June 30, 2020	(590,805)		
	<u>\$ 1,882,195</u>		

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,230,000 in water revenue bonds issued in September 2005. Proceeds from the bonds provided financing for the water system construction and improvement. The bonds are payable solely from water customer net receipts and are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$862,960. For the current year, principal and interest paid and customer net receipts were \$138,345 and \$297,491, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,200,000 in sewer revenue capital notes issued in May 2004, \$322,000 in state revolving fund revenue bonds in February, 2015 and \$1,100,000 in state revolving fund revenue bonds in April 2020. Proceeds from the notes and bonds provided financing for the sewer treatment plant construction and improvement. The notes are payable solely from sewer customer net receipts and are payable through 2039. The total principal and interest remaining to be paid on the notes are \$1,070,195 and \$250,426 respectively. For the current year, principal and interest paid and customer net receipts were \$92,072 and \$87,501, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- (a) The bonds/notes will only be redeemed from the future earnings of each enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts within the enterprise funds for the purpose of making the bond/note principal and interest payments when due.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

- (c) User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year. During the year, the City met this test for the water but failed the test for sewer operations.

Urban Service Area Agreement

In October 2005, Polk County and the City entered into an agreement under Chapter 28 of the Code of Iowa to provide water and sewer extensions to customers outside the city limits. In prior years, the service fees were divided 50% to the City and 50% to a Joint Water and Sewer Trust Fund maintained by the County to be applied to construction costs within the Urban Service area. On October 29, 2009, the agreement was amended as follows: beginning in the year ending June 30, 2011 and continuing until January, 2026, the city will make annual payments to Polk County to repay 75% of the construction costs. As of June 30, 2020, the total to be paid is \$130,337. The remainder will be paid by revenues generated from connection fees and development agreements.

	<u>Principal</u>	<u>Interest</u>
2021	\$ 19,220	\$ -
2022	20,121	-
2023	21,022	-
2024	21,923	-
2025	23,425	-
2026	<u>24,626</u>	<u>-</u>
Total	\$ <u>130,337</u>	\$ <u>-</u>

(4) Urban Renewal Area Tax Increment Financing

In 1994, the City established an Urban Renewal Area. In accordance with Chapter 403.19 of the Code of Iowa, the City may enter into an agreement with the county, school and other taxing jurisdictions, to use the increase in taxes, as a result of the incremental property tax valuation increase, in the Urban Renewal Area. The taxes so collected are paid into the City's Special Revenue Fund and are expended on project costs and obligations.

In 2006, the City and Eastern Polk Development, LLC entered into a development agreement in which the City will pay the tax increment financing taxes to the entity, beginning on the date that the taxes become available and continuing for a total of ten fiscal years. The total payments shall not exceed \$700,000. The City has certified the agreement to the county auditor and the first year of collection was June 30, 2012. The obligation is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. The balance of the tax increment financing taxes to be paid to the developer to satisfy the remaining obligation at June 30, 2020 was \$190,518, if all 20 lots are developed.

The agreement specifically requires the developer to build on 20 lots which must qualify for low and moderate income (LMI) housing. Upon completion of such, the developer will receive \$200,000 of LMI funds. The City is accumulating the LMI portion of the tax increment financing taxes in a special revenue fund. If the developer does not fulfill the obligation, the City will be required to develop a plan to spend the accumulated LMI funds in a residential development area.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire after reaching age 50 with 22 more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reductions is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(5) Pension Plan - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period.

The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City of Mitchellville contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$56,144.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$249,999 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was .0043173%, which was an increase of .000141% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$70,002, \$62,807 and \$78,685 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(5) Pension Plan - Continued

Rate of Inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Health annuitant tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(5) Pension Plan - Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$569,053	\$249,999	\$(17,464)

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned termination payments payable to employees at June 30, 2020, primarily relating to the General Fund, is \$34,529. This liability has been computed based on rates of pay as of June 30, 2020.

(7) Risk Management

(a) The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(7) Risk Management - Continued

any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$40,584.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

- (b) The City is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members. The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdictions. The City has executed a Worker's Compensation coverage agreement with the Association which extended through June 30, 2020 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the period ended June 30, 2020, the City paid worker's compensation insurance premiums of \$15,186 to the Association.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Permanent Fund:		
Cemetery Perpetual Care	General	\$ <u>850</u>
Special Revenue:		
Fire Truck Replacement	General	<u>52,443</u>
Special Revenue:		
Fire Equipment	General	<u>8,896</u>
Special Revenue:	Special Revenue:	
Increment Financing LMI	Tax Increment Financing	<u>21,685</u>
Special Revenue:		
Police Equipment	General	<u>7,255</u>
Special Revenue		
Police Car Replacement	General	<u>7,255</u>
Special Revenue	Special Revenue	
Road Use tax	Local Option Sales Tax	<u>272,294</u>
Debt Service	Enterprise:	
	Water	<u>170,556</u>
Capital Projects	Enterprise	
	Water	599
	Special Revenue	
	Local Option Sales Tax	<u>182,771</u>
		<u>183,370</u>
Total		\$ <u><u>724,604</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(9) Other Post-Employment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 12 active, 0 COBRA and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the full premium for the benefits while the City contributes to the premium of active employees. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$774 for single coverage, and \$1,936 for family coverage. The City pays the full cost of the single coverage and 30% of the difference between single coverage and any family coverage for those employees electing such coverage. The contribution requirements of plan members are established and may be amended by the City. For the year ended June 30, 2020 the City contributed \$149,132 and plan members eligible for benefits contributed \$17,029 to the plan.

(10) Commitments

At June 30, 2020, the City had entered into construction contracts of approximately \$4,016,000 for various projects. At June 30, 2020 these projects require future payments of approximately \$1,476,000 upon completion.

(11) Operating Lease

The City has an operating lease for office equipment. The lease is for 60 months, beginning on November 30, 2017. Minimum future lease payments are as follows:

Year ending June 30,	
2021	\$1,328
2022	1,328
2023	443

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(12) Tax Abatements - Continued

City Tax Abatements - Continued

agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$17,596 property tax under the urban renewal and economic development agreements.

(13) Deficit Fund Balances

At June 30, 2020 the city had deficit balances in the Capital Project Funds of \$18,058. The deficit will be eliminated by grants and transfers from the General Fund.

(14) Related Party Transactions

The City had business transactions between the City and City employee totaling \$18,000 during the year ended June 30, 2020.

(15) Subsequent Events

The City has evaluated all subsequent events through December 18, 2020, the date the financial statements were available to be issued.

In October 2020, the City issued \$1,925,000 of Sewer Revenue Capital Loan Notes for a sewer project. The city also entered into a construction contract for \$1,553,136 for a sewer project to be paid from the loan proceeds.

(16) Contingency

The COVID-19 outbreak is disrupting business across a range of industries in the United States. As a result, local, regional and national economies, including the one of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City operations and finances.

(17) Restated Opening Balances

Due to reclassification of water and sewer related capital projects, it was necessary to restate some opening balances. Accordingly, the Capital Projects Fund beginning cash balance was increased by \$117,349, Water Funds decreased by \$76,263, and Sewer Funds decreased \$41,086. This did not effect the overall change in cash balances for the fiscal year 2019.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2020

(18) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

City of Mitchellville

Other Information

CITY OF MITCHELLVILLE

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 489,887	\$ -	\$ 489,887
Tax increment financing	79,256	-	79,256
Other city tax	628,092	-	628,092
Licenses and permits	58,592	-	58,592
Uses of money and property	6,515	8,719	15,234
Intergovernmental	913,357	376,911	1,290,268
Charges for service	184,434	1,176,029	1,360,463
Special assessments	-	-	-
Miscellaneous	113,311	23,763	137,074
Total receipts	2,473,444	1,585,422	4,058,866
Disbursements:			
Public safety	535,160	-	535,160
Public works	851,639	-	851,639
Health and social services	1,150	-	1,150
Culture and recreation	271,354	-	271,354
Community and economic development	80,687	-	80,687
General government	123,870	-	123,870
Debt service	184,075	-	184,075
Capital projects	617,698	-	617,698
Business type activities	-	2,502,006	2,502,006
Total disbursements	2,665,633	2,502,006	5,167,639
Excess (deficiency) of receipts over (under) disbursements	(192,189)	(916,584)	(1,108,773)
Other financing sources (uses), net	226,678	808,514	1,035,192
Excess (deficiency) of receipts over (under) disbursements and other financing uses	34,489	(108,070)	(73,581)
Balances beginning of year, as restated	1,962,544	309,177	2,271,721
Balances end of year	<u>\$1,997,033</u>	<u>\$ 201,107</u>	<u>\$ 2,198,140</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Actual Variance Positive (Negative)
Original	Final	
\$ 477,292	\$ 477,292	\$ 12,595
87,645	87,645	(8,389)
367,647	717,647	(89,555)
15,350	55,350	3,242
7,900	64,400	(49,166)
1,483,978	2,363,978	(1,073,710)
1,349,150	1,424,150	(63,687)
925	925	(925)
14,900	100,600	36,474
3,804,787	5,291,987	(1,233,121)
433,050	560,050	24,890
427,001	1,532,001	680,362
1,150	1,150	-
182,567	290,567	19,213
77,468	221,468	140,781
141,515	144,715	20,845
184,064	184,064	(11)
650,000	650,000	32,302
4,928,019	4,928,019	2,426,013
7,024,834	8,512,034	3,344,395
(3,220,047)	(3,220,047)	2,111,274
3,250,000	3,250,000	(2,214,808)
29,953	29,953	(103,534)
1,628,636	1,628,636	643,085
<u>\$ 1,658,589</u>	<u>\$ 1,658,589</u>	<u>\$ 539,551</u>

CITY OF MITCHELLVILLE

Notes To Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,487,200. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30 2020, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF MITCHELLVILLE

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System For the Last Six Years* (In Thousands)

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	.0043173%	.0041761%	.0050880%	.0043899%	.0038966%	.0032571%
City's proportionate share of the net pension liability	\$ 250	\$ 264	\$ 339	\$ 276	\$ 193	\$ 129
City's covered payroll	\$ 535	\$ 467	\$ 565	\$ 497	\$ 490	\$ 446
City's proportionate share of the net pension liability as a percentage of its covered payroll	46.73%	56.53%	60.32%	55.53%	39.39%	26.82%
IPERS' net position as a percentage of the total pension liability	85.40%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

CITY OF MITCHELLVILLE

Schedule of City's Contributions

Iowa Public Employees' Retirement System Last 10 Fiscal Years (In Thousands)

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 56	\$ 52	43	52
Contributions in relation to the statutorily required contribution	<u>(56)</u>	<u>(52)</u>	<u>(43)</u>	<u>(52)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 585	\$ 535	467	562
Contributions as a percentage of covered payroll	9.57%	9.70%	9.21%	9.25%

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 46	\$ 46	\$ 43	\$ 36	\$ 32	\$ 31
<u>(46)</u>	<u>(46)</u>	<u>(43)</u>	<u>(36)</u>	<u>(32)</u>	<u>(31)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
497	490	446	418	396	442
9.26%	9.39%	9.64%	8.67%	8.07%	6.95%

CITY OF MITCHELLVILLE

Notes to Other Information - Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of demographic assumption study dated June 28, 2018.

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (Unfunded Actuarial Liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Supplementary Information

CITY OF MITCHELLVILLE

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Tax Increment Financing	Increment Financing LMI	Park Fund	Special Fire Truck Replacement
Receipts:				
Tax increment financing	\$ 79,256	\$ -	\$ -	\$ -
Uses of money and property	-	-	45	-
Miscellaneous	-	-	-	-
Total receipts	<u>79,256</u>	<u>-</u>	<u>45</u>	<u>-</u>
Disbursements:				
Operating:				
Public safety	-	-	-	11,800
Community and economic development	<u>57,749</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>57,749</u>	<u>-</u>	<u>-</u>	<u>11,800</u>
Excess (deficiency) of receipts over (under) disbursements	21,507	-	45	(11,800)
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Transfers in	-	21,685	-	52,443
Transfers out	<u>(21,686)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(21,686)</u>	<u>21,685</u>	<u>-</u>	<u>52,443</u>
Change in cash balances	(179)	21,685	45	40,643
Cash balances beginning of year	<u>579</u>	<u>97,872</u>	<u>3,511</u>	<u>35,660</u>
Cash balances end of year	<u>\$ 400</u>	<u>\$119,557</u>	<u>\$ 3,556</u>	<u>\$ 76,303</u>
Cash Basis Fund Balances				
Nonspendable				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for				
Other purposes	400	119,557	3,556	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,303</u>
Total cash basis fund balances	<u>\$ 400</u>	<u>\$ 119,557</u>	<u>\$ 3,556</u>	<u>\$ 76,303</u>

See accompanying independent auditor's reports.

Revenue					
Police Car Replacement	Fire Equipment	Police Equipment	Blake Trust	Library Memorial	Park Memorial
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	812	115	-
-	-	-	-	1,111	-
-	-	-	812	1,226	-
-	-	3,544	-	-	-
-	-	-	-	-	-
-	-	3,544	-	-	-
-	-	(3,544)	812	1,226	-
-	-	-	-	-	-
7,255	8,896	7,255	-	-	-
-	-	-	-	-	-
7,255	8,896	7,255	-	-	-
7,255	8,896	3,711	812	1,226	-
-	17,756	6,662	66,042	31,950	203
\$ 7,255	\$ 26,652	\$ 10,373	\$ 66,854	\$ 33,176	\$ 203
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	66,854	33,176	203
7,255	26,652	10,373	-	-	-
\$ 7,255	\$ 26,652	\$ 10,373	\$ 66,854	\$ 33,176	\$ 203

CITY OF MITCHELLVILLE

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	City Imp Fund	Permanent Cemetery Perpetual Care	Total
Receipts:			
Tax increment financing	\$ -	\$ -	\$ 79,256
Uses of money and property	-	115	1,087
Miscellaneous	-	-	1,111
Total receipts	-	115	81,454
Disbursements:			
Operating:			
Public safety	-	-	15,344
Community and economic development	894	-	58,643
Total disbursements	894	-	73,987
Excess (deficiency) of receipts over (under) disbursements	(894)	115	7,467
Other financing sources (uses):			
Sale of capital assets	55,524	-	55,524
Transfers in	-	850	98,384
Transfers out	-	-	(21,686)
Total other financing sources (uses)	55,524	850	132,222
Change in cash balances	54,630	965	139,689
Cash balances beginning of year	6,560	43,606	310,401
Cash balances end of year	\$ 61,190	\$ 44,571	\$ 450,090
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ -	\$ 44,571	\$ 44,571
Restricted for:			
Other purposes	61,190	-	284,936
Assigned	-	-	120,583
Total cash basis fund balances	\$ 61,900	\$ 44,571	\$ 450,090

See accompanying independent auditor's reports.

City of Mitchellville

CITY OF MITCHELLVILLE

Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Water treatment plant bonds *	June, 2006	1.75%	\$ 1,050,000
Capital loan notes - Series 2018	July, 2018	2.95	800,000
Water improvement bonds *	September, 2019	1.75	562,000
Total			
Revenue Bonds/Notes			
Sewer revenue capital loan notes *	May, 2004	1.75%	\$ 1,200,000
Water revenue bonds *	September, 2005	1.75	2,230,000
Sewer revenue bonds *	February, 2015	1.75	322,000
Sewer revenue bonds *	April, 2020	1.75	1,100,000
Total			
Urban Service Area Agreement	October, 2005	0.00%	\$ 281,696

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 381,000	\$ -	\$ 49,000	\$ 332,000	\$ 6,668
693,000	-	107,000	586,000	20,443
-	470,473	28,000	442,473	4,405
<u>\$1,074,000</u>	<u>\$ 470,473</u>	<u>\$184,000</u>	<u>\$1,360,473</u>	<u>\$31,516</u>
\$ 436,000	\$ -	\$ 67,000	\$ 369,000	\$ 7,630
934,000	-	122,000	812,000	16,345
205,000	-	12,000	193,000	3,588
-	509,195	1,000	508,195	654
<u>\$1,575,000</u>	<u>\$ 509,195</u>	<u>\$202,000</u>	<u>\$1,882,195</u>	<u>\$28,217</u>
<u>\$ 148,656</u>	<u>\$ -</u>	<u>\$ 18,319</u>	<u>\$ 130,337</u>	<u>\$ -</u>

CITY OF MITCHELLVILLE

Bond and Note Maturities

June 30, 2020

Year Ending June 30,	General Obligation Bonds and Notes							
	Water Capital		Capital Loan Notes		Water Improvement			Total
	Notes		Series 2019		Bonds Issued			
	Issued June 1, 2006		Issued July 10, 2019		September 20, 2019			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2021	1.75%	\$ 51,000	2.95%	\$ 110,000	1.75%	\$ 23,000	\$ 184,000	
2022	1.75	53,000	2.95	114,000	1.75	24,000	191,000	
2023	1.75	54,000	2.95	117,000	1.75	24,000	195,000	
2024	1.75	56,000	2.95	121,000	1.75	25,000	202,000	
2025	1.75	58,000	2.95	124,000	1.75	25,000	207,000	
2026	1.75	60,000	2.95	-	1.75	26,000	86,000	
2027		-		-	1.75	26,000	26,000	
2028		-		-	1.75	27,000	27,000	
2029		-		-	1.75	27,000	27,000	
2030		-		-	1.75	28,000	28,000	
2031		-		-	1.75	29,000	29,000	
2032		-		-	1.75	29,000	29,000	
2033		-		-	1.75	30,000	30,000	
2034		-		-	1.75	30,000	30,000	
2035		-		-	1.75	31,000	31,000	
2036		-		-	1.75	32,000	32,000	
2037		-		-	1.75	32,000	32,000	
2038		-		-	1.75	33,000	33,000	
2039		-		-	1.75	33,000	33,000	
Total		<u>\$ 332,000</u>		<u>\$ 586,000</u>		534,000	1,452,000	
Less Note Proceeds Not Received as of June 30, 2020							(91,527)	(91,527)
							<u>\$ 442,473</u>	<u>\$1,360,473</u>

*As of June 30, 2019 only \$269,418 of the potential \$322,000 original issue had been drawn down on the bonds. Remainder of bond not expected to be drawn down.

See accompanying independent auditor's report.

Year Ending June 30,	Water Revenue Bonds		Sewer Revenue Capital Notes		Sewer Revenue Bonds	
	Issued September 21, 2005		Issued May 17, 2004		Issued February 27, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2021	1.75%	\$ 126,000	1.75%	\$ 69,000	1.75%	\$ 12,000
2022	1.75	129,000	1.75	72,000	1.75	12,000
2023	1.75	133,000	1.75	74,000	1.75	13,000
2024	1.75	137,000	1.75	76,000	1.75	13,000
2025	1.75	141,000	1.75	78,000	1.75	13,000
2026	1.75	146,000		-	1.75	13,000
2027		-		-	1.75	14,000
2028		-		-	1.75	14,000
2029		-		-	1.75	14,000
2030		-		-	1.75	14,000
2031		-		-	1.75	15,000
2032		-		-	1.75	15,000
2033		-		-	1.75	15,000
2034		-		-	1.75	16,000
Total		<u>\$ 812,000</u>		<u>\$ 369,000</u>		<u>\$ 193,000</u> *

Year Ending June 30,	Sewer Revenue Capital Notes		Urban Service Area	
	Issued April 3, 2020		Issued October 29, 2005	
	Interest Rates	Amount	Interest Rates	Amount
2021	1.75%	\$ 48,000		\$ 19,220
2022	1.75	49,000		20,121
2023	1.75	50,000		21,022
2024	1.75	51,000		21,923
2025	1.75	52,000		23,425
2026	1.75	53,000		24,626
2027	1.75	54,000		-
2028	1.75	55,000		-
2029	1.75	56,000		-
2030	1.75	58,000		-
2031	1.75	59,000		-
2032	1.75	60,000		-
2033	1.75	61,000		-
2034	1.75	62,000		-
2035	1.75	64,000		-
2036	1.75	65,000		-
2037	1.75	66,000		-
2038	1.75	67,000		-
2039	1.75	69,000		-
Total		\$ 1,099,000		<u>\$ 130,337</u>
Less Note Proceeds Not				
Received as of June 30, 2020				
		<u>(590,805)</u>		<u>(590,805)</u>
		<u>\$ 508,195</u>		<u>\$ 1,882,195</u>

CITY OF MITCHELLVILLE

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Last Ten Years

	Years ended June 30,				
	2020	2019	2018	2017	2016
Receipts:					
Property tax	\$ 489,887	\$ 702,132	\$ 694,615	\$ 682,140	\$ 682,520
Tax increment financing	79,256	88,293	83,701	51,714	26,757
Other city tax	628,092	977,677	63,836	60,114	58,910
Licenses and permits	58,592	17,616	19,239	11,076	19,321
Use of money and property	6,515	6,447	4,310	2,912	2,270
Special assessments	-	517	926	925	918
Intergovernmental	913,357	463,903	375,413	431,033	540,640
Charges for service	184,434	130,673	124,170	130,350	122,779
Miscellaneous	113,311	290,273	41,707	28,097	73,425
Total	<u>\$2,473,444</u>	<u>\$2,677,521</u>	<u>\$1,407,917</u>	<u>\$1,398,361</u>	<u>\$1,527,540</u>
Disbursements:					
Operating:					
Public safety	\$ 535,160	\$ 996,864	\$ 400,354	\$ 433,170	\$ 473,435
Public works	851,639	544,684	444,048	320,653	378,831
Health and social services	1,150	1,150	1,150	1,150	1,290
Culture and recreation	271,354	320,023	151,501	154,444	144,023
Community and economic development	80,687	89,945	84,039	50,275	26,623
General government	123,870	124,970	166,867	147,252	105,506
Debt service	184,075	276,195	163,955	165,681	214,179
Capital projects	617,698	950,214	17,210	-	134,218
Total	<u>\$2,665,633</u>	<u>\$3,304,045</u>	<u>\$1,429,124</u>	<u>\$1,272,625</u>	<u>\$1,478,105</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011
\$ 675,380	\$ 686,079	\$ 634,058	\$ 626,826	\$ 607,925
-	4,906	77,091	26,623	-
60,030	45,651	-	-	-
11,298	46,685	6,994	9,858	17,371
2,074	1,827	1,449	2,232	2,927
4,639	4,299	1,487	400	888
673,798	322,169	290,201	308,088	283,315
123,992	114,881	137,962	121,813	85,611
98,391	112,553	25,453	17,075	23,469
<u>\$1,649,602</u>	<u>\$1,339,050</u>	<u>\$1,174,695</u>	<u>\$1,112,915</u>	<u>\$1,021,506</u>
\$ 471,071	\$ 511,652	\$ 299,369	\$ 312,973	\$ 327,179
202,590	324,500	251,704	254,744	254,744
1,150	1,000	1,500	-	-
157,182	168,477	127,323	136,225	136,693
8,389	12,060	64,750	25,641	5,960
87,004	77,843	82,611	67,576	53,633
202,673	202,225	200,488	221,147	272,475
553,488	-	-	-	-
<u>\$1,683,547</u>	<u>\$1,297,757</u>	<u>\$1,027,745</u>	<u>\$ 992,917</u>	<u>\$1,050,684</u>

City of Mitchellville



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statement, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mitchellville's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Mitchellville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Mitchellville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we have identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Mitchellville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-20 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchellville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the Accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Mitchellville's Responses to the Findings

The City of Mitchellville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Mitchellville's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Mitchellville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
December 18, 2020

CITY OF MITCHELLVILLE

Schedule of Findings

Year ended June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-20 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - One individual in the City has control over the cash receipts listing, bank deposits posting of cash receipts and cash disbursements to the general ledger, reconciliations and securities control and custody.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - Duties are assigned to the extent possible to provide control through review of financial transactions and reports and segregation of duties.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF MITCHELLVILLE

Schedule of Findings - Continued

Year ended June 30, 2020

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-20 Certified Budget - Disbursements during the year ended June 30, 2020 exceeded amounts budgeted in the Debt Service Function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- III-B-20 Questionable Disbursements - We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-20 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-20 Business Transactions - Business transaction between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jeffrey McVey Reserve police officer	Used vehicle purchase	\$ 18,000

Chapter 362.5 of the Code of Iowa prohibits transactions with a City officer or employee that has an interest, direct or indirect, in any contract or job of work material or the profits thereof or services to be furnished or performed for the officer's or employee's City. A contract entered into in violation of this section is void. The provisions of this section do not apply if the purchases benefitting that officer or employee do not exceed a cumulative total purchase price of \$6,000.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

- III-E-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- III-F-20 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF MITCHELLVILLE

Schedule of Findings - Continued

Year ended June 30, 2020

Part III: Other Findings Related to Required Statutory Reporting (Continued)

III-G-20 Deposit and Investments - No instances of non-compliance with the deposit and investment provision of Chapters 12B and 12C of the Code of Iowa the City's investment policy were noted.

III-H-20 Revenue Bonds - The following instances of non-compliance with the sewer revenue bond requirements were noted:

- The provisions of the sewer revenue bond resolution require the City to produce net operating receipts equal to at least 110% of the principal and interest on the bonds as they come due. During the fiscal year ended June 30, 2020, net operating receipts were 96% of the sewer revenue bond principal and interest.

Recommendation - The City should establish utility rates at a level sufficient to produce net receipts to comply with the bond provisions.

Response - City continues to increase sewer revenue to help offset this bond requirement and will continue to evaluate the needs.

Conclusion - Response accepted.

III-I-20 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

III-J-20 Financial Condition - The Capital Project Fund had a deficit balance of \$18,058 at June 30, 2020.

Recommendation - The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response- We will review this and take appropriate action.

Conclusion - Response acknowledged.

III-K-20 General Obligation Debt Service - General obligation debt payments are to be paid and recorded in the Debt Service Fund in accordance with Chapter 384.4 of the Code of Iowa. Payments on general obligation debt were paid out the water sinking fund.

Recommendation - The City should pay any general obligation debt from the debt service fund and make transfers to the debt service funds from other applicable funds if needed to cover the disbursement.

CITY OF MITCHELLVILLE

Schedule of Findings - Continued

Year ended June 30, 2020

Part III: Other Findings Related to Required Statutory Reporting (Continued)

III-K-20 Response - The City will insure that the general obligation debt payments are paid out of the debt service fund in the future.

Conclusion - Response accepted.

III-L-20 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.